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ABSTRACT

This pamphlet is intended as a supplement to the booklet, "Recommendations for Legislative Consideration on Public Education in Texas," which was also published by the Texas Education Agency in November 1974. This pamphlet discusses a proposed state school finance plan developed by the State Board of Education and presents 12 specific recommendations for legislative action. Basically, these recommendations call for (1) expansion of the state Foundation School Program, (2) establishment of a statewide market value index for taxable property, (3) assignment of the local share of Foundation School Program costs in relation to each district's taxable capacity as determined from a market value index with provision for equalization of funds above the Program, (4) full state funding of the Foundation School Program and expansion of local enrichment opportunities if market value information is not obtained, and (5) phased implementation of improvements in public school finance in Texas. (Author/JG)

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A Special Supplement to

RECOMMENDATIONS FOR LEGISLATIVE CONSIDERATION ON PUBLIC EDUCATION IN TEXAS

Public School Finance Plan

Submitted to the
Governor and the Sixty-Fourth Legislature

November 1974

EA 008 920

TEXAS EDUCATION AGENCY
Austin, Texas

Texas Education Agency

• STATE BOARD OF EDUCATION
• STATE COMMISSIONER OF EDUCATION
• STATE DEPARTMENT OF EDUCATION

201 East Eleventh Street
Austin, Texas
78701

November, 1974

TO THE HONORABLE GOVERNOR OF TEXAS AND
MEMBERS OF THE SIXTY-FOURTH LEGISLATURE:

The following Public School Finance Plan for Texas is respectfully submitted for your consideration. The Plan is a special supplement to the Recommendations for Legislative Consideration on Public Education in Texas, November, 1974, and the Forty-eighth Biennial Report of the Texas Education Agency.

The recommendations in this plan point to several aspects of the public educational program that we feel need legislative attention. These aspects include:

(1) expansion of the Foundation School Program;

(2) legislative establishment of a market value index;

(3) assignment of the local share of the Foundation School Program costs in relation to each district's taxable capacity as determined from a market value index with provisions for equalization of funds above the Program;

(4) full state funding of the Foundation School Program and expansion of local enrichment opportunities if market value information is not obtained; and

(5) phased implementation of improvements in the financing of public education in Texas.

Your consideration is necessary for implementation of these recommendations and is respectfully requested. The Board, the Commissioner of Education, and the staff of the State Department of Education will be glad to provide further information and counsel on any of these matters to the Governor or to any member of the Sixty-fourth Legislature.

Respectfully yours,

Ben R. Howell

Ben R. Howell, Chairman
State Board of Education

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INTRODUCTION

In 1973, the State Board of Education developed and submitted to the Governor, the Sixty-third Legislature, and the general public a Public School Finance Plan. The Board assigned the principal responsibility for the school finance study to a special committee. This State Board of Education Committee on Public School Finance began its work by considering the scope of public school education needed and wanted in Texas -- the populations to be served, the programs and services to be offered, and the elements of quality desired. The level of funding to support the program and the method of financing were then determined.

Three alternative plans for improving public school education were considered by the Committee before the decision was made to recommend: (1) full implementation of the recommendations of the Governor's Committee on Public School Education; (2) development of a weighted pupil approach to financing public school education; and (3) development of an expanded Foundation School Program. During the months of intensive study, the Board also worked with other concerned citizens and organizations in Texas to establish a common base of information, to coordinate efforts, and to share information.

The Board Committee worked on this study for nearly a year before submitting a tentative plan for Board consideration in November, 1972. Following broad distribution, public involvement and response, and review of other plans for financing public education, a final plan was adopted by the State Board of Education on February 10, 1973.

For the past several months, the State Board of Education Committee on Public School Finance has been reevaluating and revising this plan. This Committee recommended that several of the specifics of the plan be updated to reflect current district practice and other considerations.

Both the 1973 plan and this revised version build upon the strengths inherent in the foundation concept and incorporate other features including:

(1) expansion of the present Foundation Program to a level providing an adequate basis of support;

(2) assignment of the local share of the Foundation costs in relation to each district's taxable capacity as determined from a market value index with provisions to move to full state funding if market value information is not obtained;

(3) expansion of school district capability to enhance and enrich the Foundation School Program and equalization of such capability if market value information is available; and

(4) retention of debt service and capital outlay as a local responsibility.

The Board has also recognized responsible educational governance as a factor in the determination of educational quality and the method of financing public school education. Recommendations for this area have been made in a separate legislative recommendation supplement.

The State Board of Education has long recognized the need for improving the financing of Texas public schools. Evidence of this concern can be seen in the Board's recommendations for legislation submitted over the years. Change in financing is inevitable. The State Board of Education proposes one plan for change and, in its opinion, a plan which would provide the quality of education desired for Texas. Each of the twelve recommendations of this plan is followed by a brief explanation and justification. A complete list of all the recommendations is summarized in the following pages. An alternative set of recommendations is also offered in the event that the Legislature does not authorize the development of a system for obtaining market value information.

The Board recognizes that this plan is one of many school finance plans currently under development by both public and private groups. In recognition of this fact, the Board encourages all study groups to participate in mutual review and identification of the vital issues in the financing of public school education in Texas.

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION #1

Presently authorized increases in the Foundation School Program should be fully implemented according to schedule. Kindergarten bilingual education along with any increases in the Foundation School Program enacted by the 64th Legislature should be incorporated into the program recommended in this report.

RECOMMENDATION #2

Average daily attendance for state aid purposes should be calculated on the basis of the best four six week, best three nine week, or best two twelve week reporting periods.

RECOMMENDATION #3

Staffing allocations for regular program personnel should be improved.

1. Classroom Teachers - One regular classroom teacher for each 23 ADA or major fraction thereof for districts with more than 156 ADA. Allocations for smaller districts and for vocational and special education should remain as in current law. For kindergarten through third grade, the actual ratio within the district of students to teachers should average 20 students (ADA) per teacher. Teachers allocated under the Foundation School Program should be required to perform teaching duties, as defined by the regulations of the State Board of Education.

2. Special Duty Teachers - Up to 15 percent of the allocated classroom teachers may be designated as special duty teachers and paid accordingly.

3. Aides - One aide for every 10 classroom teachers, allocated among three pay grade levels, subject to percentage limitations.

4. Counselors - One counselor for each 1,000 students in average daily attendance or major fraction thereof allotted under policies established by the State Board of Education.

5. Supportive Professionals - One unit for each 275 ADA for districts with 1,000 ADA or more. Three units for districts from 500 to 999 ADA. One unit for districts with less than 500 ADA with an accredited four year high school. These personnel should be allocated among pay grades on the basis of maximum percentage allocations. Separate allocations for supervisors and special service personnel should be replaced by the new formula.

6. Principals - One unit for the first 15 CTU and one for each additional 25 CTU with no credit for fractions. Principal units should be divided between head principals and assistant principals. A district with an accredited four year high school and fewer than 15 CTU should be permitted to use one CTU as a part-time principal.

7. Superintendents - One unit for each district operating an accredited four year high school (current formula).

8. Staffing Flexibility - The Commissioner of Education, subject to the policies of the State Board of Education, should be permitted to allow flexibility among the categories of personnel allocated under the Foundation School Program for purposes other than vocational and special education. However, flexiblity shall not increase the level of spending under the Foundation School Program.

RECOMMENDATION #4

Allotments for operating costs other than professional salaries and transportation should be based on $175 per ADA. Present operating allowances for the support of vocational education, special education, and bilingual education costs should be continued. A basic allotment of not less than $3.00 per ADA should be provided to support the acquisition of printed and audiovisual materials for the Learning Resources Centers.

RECOMMENDATION #5

Formulas for the transportation allotment should be increased by approximately $800 per bus route. The present formula for the provision of special education transportation should be maintained at $150 per eligible student transported.

RECOMMENDATION #6

Expenditures from Title I of the Elementary and Secondary Education Act (ESEA, Title I) for educationally disadvantaged children residing in high concentration areas of low income families should be supplemented by a state allotment of $100 per pupil.

RECOMMENDATION #7

The Legislature should adopt a system for the determination of estimates of the market value of taxable property in each school district in the State, and for the establishment of an index of such values.

RECOMMENDATION #8

The Foundation School Program should be financed from a combination of state and local funds. The local share of the cost of the Program should be determined by the application of the equivalent of a $.25 tax rate per $100 of market value of taxable property for the State as a whole. Thus the local fund assignment of each district should be determined by the application of the same rate to the index estimate of the full market value of taxable property in each district. The State share of the Foundation School Program should continue to be guaranteed.

RECOMMENDATION #9

An enrichment program should be established which would guarantee each district $300 per ADA in additional revenue for an additional local tax effort of $.40 per $100 in market value.

For up to the first $100 per ADA of such revenue, the district would levy the equivalent of a tax rate not to exceed $.10 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $100 per ADA by the application of such a rate.

For up to the second $200 per ADA of such revenue, the district would levy the equivalent of a tax rate not to exceed $.30 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $200 per ADA by the application of such a rate.

RECOMMENDATION #10

The basic financial support of the regional service centers should be increased by $1.00 per ADA for a total of $3.00 per ADA.

RECOMMENDATION #11

The computer services allocation for regional service centers should be incorporated under a broader allocation for information services, including financial support for computer processing on a statewide network, the development of a common core of educational data, the provision of communication services, the provision of technical assistance services, and central administration.

RECOMMENDATION #12

Any revision in present school finance formulas should be phased in over a four year period beginning in 1975-76. The full plan would be operational in 1978-79.

A PUBLIC SCHOOL FINANCE PLAN FOR TEXAS

Four basic principles should govern the future of public school finance in Texas.*

(1) Guaranteed funding of the state's share of basic educational opportunity for all children must continue to be a key element of any school finance plan.

(2) Local taxes should continue to be used in the district collected. The capability of each local district to enhance and enrich its own program above the state basic program must be preserved.

(3) The control of the local district and the administration of such funds available to that district should be vested in the citizens residing within that district, retaining the concept that decisions are best when made as close to those affected as practicable. This will require responsible district organization and financial structure.

(4) The allocation of state funds shall give consideration to the ability of the local school district to provide local tax and other revenues.

The proposals contained in this report are keyed to the fulfillment of these principles. Changes in the Foundation School Program formulas are recommended in the following areas: staffing allocations, operating allowances, transportation, compensatory education, and financing. Other recommendations include continuation of authorized increases in the Foundation School Program, provision of enrichment funds, regional service center financing, and a phased implementation of proposed changes.

These changes would require a revision of the chapters of the Texas Education Code which define the Foundation School Program. Other aspects of public school financing in Texas, including distribution of the Available School Fund, the free textbook program, and teacher retirement would not be changed by these recommendations.

Program Allotments

Authorized Increases

Present statutes authorize substantial increases in the Foundation School Program. In addition, the State Board of Education has adopted a separate recommendation to extend bilingual education to kindergarten.

RECOMMENDATION #1 *Presently authorized increases in the Foundation School Program should be fully implemented according to schedule. Kindergarten bilingual education, along with any increases in the Foundation School Program enacted by the Sixty-fourth Legislature, should be incorporated into the program recommended in this report.*

*Adopted by the State Board of Education, February 12, 1972.

Present legislation authorizes increases in support for five specific areas: salaries for professional and paraprofessional personnel, kindergarten education, special education, vocational education, and bilingual education. The following table compares the 1974-75 levels of these programs with the projected 1978-79 levels.

TABLE I. AUTHORIZED INCREASES IN THE FOUNDATION SCHOOL PROGRAM
(in millions)

ITEM	1974-75	1978-79	INCREASE
Regular Program	$1,111.9	$1,104.1	$(7.8)
Kindergarten	46.4	71.0	24.6
Vocational Education	97.2	139.3	42.1
Special Education	190.8	278.5	87.7
Bilingual Education	1.9	10.0	8.1
Salary Increases*	---	166.8	166.8
Other Costs	27.7	44.1	16.4
TOTAL COSTS	$1,475.9	$1,813.8	$337.9

* Involves all programs

The authorized increases indicated in Table I will provide for desirable program expansions in kindergarten, vocational education, special education, and bilingual education. Although full implementation of the present provisions of the minimum salary schedule will increase the salaries of educational personnel, Foundation Program salaries are falling further behind the district average salaries and are not keeping pace with the rising cost of living in Texas. Therefore, salaries for educational personnel under the Foundation Program should be increased to realistic levels which take into consideration local district practice.

Calculation of Average Daily Attendance

A school district's average daily attendance (ADA) is the basis for staff allocations under the Foundation School Program. The calculation of ADA is currently made on a 180 day or nine month basis. That is, an attendance count is taken every day, and the count for the entire year is divided by the number of days in the school year.

RECOMMENDATION #2 *Average daily attendance should be calculated on the basis of the best four six week, best three nine week, or best two twelve week reporting periods.*

A number of factors beyond a district's control may influence its ADA. For example, periods of illness and inclement weather may significantly reduce a district ADA and thus the allocations under the Foundation Program. This recommendation would negate the effects of such factors. Statewide, the ADA and thus Foundation School Program costs would be increased by approximately one percent, or $15 million in 1975-76.

Staffing Allocations

Of substantial importance in the operation of school districts is the allocation of regular program staff under the Foundation School Program. Allocation of staff under the Foundation School Program is based on formulas, some of which are keyed to ADA and others to the number of classroom teachers employed under the Foundation School Program formula. The recommended changes in the staffing formulas are generally designed to align the Foundation School Program with average district practice.

RECOMMENDATION #3 *Staffing allocations for regular program personnel should be improved.*

	CURRENT FORMULAS	STATE BOARD OF EDUCATION RECOMMENDATION #3
1. Classroom Teachers (CTU)	-1 CTU for each 25 ADA -Lower ratios for districts with less than 488 ADA -Personnel allotted may be used for administrative purposes	*-1 CTU for each 23 ADA* *-Lower ratio for less than 156 ADA* *-Mandate K-3 ratio of 20/1 from state and local funds* *-Teachers must perform teaching duties*
2. Special Duty Teachers	-No provision	*-Up to 15 percent of the allotted classroom teachers may be designated as special duty teachers and paid accordingly*
3. Teacher Aides and Educational Secretaries	-1 teacher aide for each 20 CTU	*-1 secretary or aide for each 10 CTU. These units would be allocated among three pay grades subject to percent limitations*
4. Counselors	-1 counselor or supervisor for the first 40 CTU, and 1 for each additional 50 CTU -Separate allocations for vocational education and special education	*-1 counselor for each 1,000 ADA*

	CURRENT FORMULA	STATE BOARD OF EDUCATION RECOMMENDATION #3
5. Supportive Professionals	-1 special service unit for each 20 CTU (including librarians, school nurses, school physicians, visiting teachers, and itinerant teachers). -1 counselor or supervisor for the first 40 CTU, plus one for each additional 50 CTU	*-Current special service positions, plus supervisors, plus instructional administrative officers allotted at 1 unit/ 275 ADA, with districts between 500 and 999 ADA receiving 2 units, districts smaller than 500 ADA receiving 1 unit*
6. Principals	-1 full-time and one part-time principal for the first 20 CTU, plus 1 full-time and 1 part-time principal for each additional 30 CTU	*-1 unit for the first 15 CTU* *-1 unit for each additional 25 CTU* *-Principal units divided between head principals and assistant principals*
7. Superintendents	-1 superintendent for each district operating an accredited four year high school	*-Same as present formula*
8. Staffing Flexibility	-Limited to special service units	*-The Commissioner of Education, subject to the policies of the State Board of Education, may allow flexibility among the categories of personnel allocated under the Foundation School Program for purposes other than vocational and special education. However, flexibility shall not increase the level of spending under the Foundation School Program*

Classroom Teachers - Of the almost 14,000 professionals employed above the Foundation Program allotments and paid from local funds, more than 8,500 are classroom teachers. Adoption of 23/1 or the state average ratio would add about 8,400 classroom teachers to the Foundation School Program. The estimated cost of such a change would be $77 million in 1975-76.

Under the proposal, all teachers allotted under the Foundation School Program would be required to perform actual teaching duties. In addition, as a method of reducing class size in the primary grades as a requirement for receiving Foundation Program funds, districts would be required to have an overall ratio of twenty pupils per classroom teacher paid from state and local funds for kindergarten through third grade.

Special Duty Teachers - The allocation of funds for special duty teachers is designed to provide an additional pay increment for such personnel as department heads, team teaching leaders, and sponsors of student body activities including coaches. Districts would submit information to the Texas Education Agency to verify actual employment of such personnel. All teachers employed under the Foundation School Program would be required to perform actual teaching duties. Under the proposal, approximately 16,000 special duty teachers would be funded at an added cost of $6.6 million in 1975-76.

Aides - In 1973-74, 4,492 regular program aides were allotted under the Foundation School Program compared to over 10,000 actually employed. A reduction in the formula for aides from one for every twenty teachers to one for every ten teachers would result in approximately 5,800 additional aides being allocated under the Foundation School Program, at an additional cost of $25 million in 1975-76. Aides could be used either in the classroom or as secretaries.

The Foundation School Program salary provides for three levels of aides of which only Aide I is presently funded. Use of all three levels would allow compensation for an expanded list of duties including working in team teaching activities, assisting in drill activities, and performing as an assistant teacher or educational secretary.

Counselors - Current allocation formulas provide one regular counselor or supervisor for the first 40 classroom teacher units (1,000 ADA) and one for each additional 50 classroom teacher units (1,250 ADA). Under this provision, school districts employed 1,332 counselors in 1973-74. In addition, 681 counselors were employed under vocational and special education formulas. School districts also employed 320 counselors from local funds.

Under this recommendation, all counselors would be allocated under the formula of one unit for each 1,000 ADA. The current provision in the law for cooperative units for districts with less than 1,000 ADA would be retained. Approximately 2,500 counselors could be allotted under this formula, at an added cost in 1975-76 of $6.4 million.

Supportive Professionals - Texas school districts employ a wide range of supportive personnel such as supervisors, central staff personnel, nurses, librarians, and visiting teachers. Approximately 8,000 such personnel were employed in 1973-74 compared to 5,000 provided by the Foundation School Program. The proposed formulas would provide approximately 9,000 such units, at an added cost of $49 million in 1975-76. Existing limitations on the use of pay grades under the present salary schedule should be reduced. Decisions for personnel to be employed would be primarily the responsibility of the local district, with overall percentage limitations on the number of personnel employed in each pay grade established by statute.

Principals - This recommendation would replace the current separate allocations for full-time and part-time principals with a single allocation for principals. An analysis of the part-time principal units indicates that most are actually employed as full-time principals either as head of a campus or as an assistant principal. Adoption of the proposed formula would increase allocated principal units by 1,500 at a cost in 1975-76 of $22 million.

Staffing Flexibility - The modern school district represents a complex organizational enterprise involving the employment of hundreds of personnel in a vast multitude of jobs. School districts with the capability to administer such programs should be entrusted with a greater degree of flexibility in the management of staff than provided under the regulations of the present Foundation School Program. With this capability the school district would be able to use allotted personnel to meet the specific instructional challenges which the students of that district present to the local administrator and local school board.

Realistic Allowances for Other Costs

Operating Allowances. Beyond support for professional salaries and personnel, the district must be provided with adequate allowances for other operating costs. Districts are currently allocated $660 per allotted teacher unit (regular, vocational, and special) for expenses other than the payment of professional salaries and transportation costs. There is no Foundation School Program support at present for Learning Resources Centers. An abbreviated list of the components of the school budget which fall into the operating cost classification includes: salaries of non-professional personnel, materials and supplies, library books, utilities, plant maintenance, and fixed charges including insurance costs.

RECOMMENDATION #4 *Allotments for operating costs other than professional salaries and transportation should be based on $175 per ADA. Formulas for special allocations for the support of vocational education, special education, and bilingual education cost should be continued. A basic allotment of not less than $3.00 per ADA should be provided to support the acquisition of printed and audiovisual materials for the Learning Resources Centers Programs.*

The Foundation School Program allowance for operational costs currently provides less than 22 percent of the actual costs of operation. In 1972-73, the estimated total cost of these items from state and local funds was $363 million, compared to $77 million allotted under the Foundation School Program. On a per student basis, this means that the mandated program supplied an average of $31 compared to $145 actually expended. Recent inflationary pressures will increase this figure to at least $175 per student by 1975-76. The failure of the Foundation School Program even to approach the actual cost of operation in most school districts rests on two considerations. First, increases in the formula allotment since 1949 have failed to keep pace with the rising cost of providing adequate operational support for the school district. Second, operating costs have increased dramatically as a result of factors outside the purview of the local board. Placement of school employees under the minimum wage law in 1966, the recent increase in minimum wage, rising insurance and utility rates, and recent rates of inflation have increased the cost of school operation without local school board participation. The added cost of this recommendation would be $362 million

in 1975-76. Although the cost is significant, adoption of this recommendation will do no more than bring the Foundation School Program in line with the average cost of operation in school districts.

Transportation. For most districts, the transportation of students residing more than two miles from school constitutes an additional cost factor. The present transportation formula, last increased in 1970, provides funds for each bus route transporting students more than two miles from school. Adjustments for the size of the bus, road conditions and the length of the route are also incorporated.

RECOMMENDATION #5 *Formulas for the transportation allotment should be increased by approximately $800 per bus route. The present formula for the provision of special education transportation should be maintained at $150 per eligible student transported.*

The proposed increase for transportation rests upon three factors currently influencing the future cost of school transportation. First, the price of school buses has risen by more than 20 percent since the last adjustment to the transportation formulas in 1969. Second, new Federal government regulations now require periodic training of bus drivers. Finally, new safety regulations will require the purchase of specialized equipment for school buses. The additional cost of the recommendation is estimated to be $7.0 million.

Compensatory Education. The Governor's Committee on Public School Education, the Texas State Teachers Association, and the Texas Association for Supervision and Curriculum Development have all indicated a need for a state supported program of compensatory education. State funding is needed because present funding under Title I of the Elementary and Secondary Education Act of 1965 does not provide adequate funding for the types of services required.

RECOMMENDATION # 6 *Expenditures from Title I of the Elementary and Secondary Education Act (ESEA, Title I) for educationally disadvantaged children residing in high concentration areas of low income families should be supplemented by a state allotment of $100 per pupil.*

Compensatory education programs which have shown positive results have been those that involved a significant concentration of dollars above the funds expended in general education programs. Title I of ESEA provides approximately $180 per child from low income and/or AFDC (Aid to Families with Dependent Children) families. The recommended $100 per Title I child state supplement would bring the level of support to $280 per child. The cost of this recommendation would be $64 million. Allocation of these funds to districts would depend on submission of a coordinated plan for the use of Title I and state compensatory education funds to the Texas Education Agency.

Financing The Program

The recommendations to improve the content of the Foundation School Program would provide a major improvement in the mandated level of educational financing through-

out the State. Completion of this plan requires that two additional subjects be addressed. First, the financing of the Foundation School Program, a subject of major controversy for over 20 years, must be resolved. Second, a method for equalizing resources above the Foundation School Program must be established.

Critical to the resolution of these questions is the determination of the tax-paying capability of each school district in the State. For 25 years, the Foundation School Program has been financed through a combination of state and local funds. During this period the relative ability of each district to finance education has been measured by the Economic Index-County Tax Roll method. The Economic Index, a conglomeration of factors (including a variety of types of income, county assessed values, and numbers of students) used to measure the ability of each county, is essentially unrelated to the basic source of local district revenues -- the local property tax base. The county tax roll, used for the determination of intra-county assignments among school districts, is generally acknowledged to be inadequate both in terms of administration and coverage of taxable values. The entire approach is further complicated by the application of a series of special "credits" to the local fund assignment. Rather than improving the capability of the system to measure local ability, these credits appear to make the system even less related to the actual tax-paying capacity of the district.

As long as the present system of determining local ability has existed, research studies have pointed out inequities in the system and recommended that the market value of taxable property be used as the sole means for the determination of local ability. Studies and recommendations have been made by the State Board of Education, the Governor's Committee on Public School Education, the Texas Research League, the Senate Committee on School Finance, and others including most major educational organizations.

RECOMMENDATION #7 *The Legislature should adopt a system for the determination of estimates of the market value of taxable property in each school district in the State, and for the establishment of an index of such values.*

The market value of property in each district may be estimated through one of several devices including ratio studies, sample appraisals, or statewide assessment of property. Several groups including the Legislative Property Tax Committee and the Texas Advisory Commission on Intergovernmental Relations have researched the development of such a system as recommended. While this system is being implemented, a set of market value estimates such as those now being produced by the Governor's Office for Educational Research and Planning could be used. The Legislature must act on this crucial issue in order to provide for the financing system which has been recommended. Without this determination, the State will have no viable measure of the ability of the school district to support education.

Financing the Foundation School Program

If possible, the historic state-local sharing of the cost of the Foundation School Program should be continued. For over 20 years, this partnership has performed an important equalization function in the financing of public school education in Texas.

RECOMMENDATION #8 *The Foundation School Program should be financed from a combination of state and local funds. The local share of the cost of the Program should be determined by the application of the equivalent of a $.25 tax rate per $100 of market value of taxable property for the State as a whole. Thus, the local fund assignment of each district should be determined by the application of the same rate to the index estimate of the full market value of taxable property in each district. The state share of the Foundation School Program should continue to be guaranteed.*

Advantages of a Market Value Approach. Application of a tax rate on the calculated market value of taxable property will provide relief from two of the inequities of the present financing system. First, the local fund assignment will be based on the resources which the district has the ability to tax. Second, the local fund assignment tax rate will be independent of the increasing cost of the Foundation School Program. The local share of the Program will grow only with the increase in the value of taxable property throughout the State, currently estimated at seven percent per year. Upon full implementation in 1978-79, it is estimated that such an approach will yield a local share under the Foundation School Program of $466 million compared to about $331 million (1978-79) under the present financing formulas.

Financing Enrichment of the Foundation School Program

As long as Texas has had public education, communities have had the ability to finance a program at a higher cost than the basic program of the State. This capability to enhance and enrich local programs must be not only preserved, but expanded. Local control of the cost of education can be maintained only if adequate opportunities for enrichment are provided.

RECOMMENDATION #9 *An enrichment program should be established which would guarantee each district $300 per ADA in additional revenue for an additional local tax effort of $.40 per $100 of market value.*

For up to the first $100 per ADA of such revenue, the district would levy the equivalent of a tax rate not to exceed $.10 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $100 per ADA by the application of such a rate.

For up to the second $200 per ADA of such revenue, the district would levy the equivalent of a tax rate to exceed $.30 per $100 of the market value of taxable property in the district. Guaranteed state aid would be supplied to those districts unable to raise $200 per ADA by the application of such a rate.

Equalization of Local Leeway Opportunity. Under the present financing system, substantial opportunity for local enrichment exists for many districts. However, districts without substantial taxable resources are often unable to meet the expectations of the local community within a reasonable tax rate. If information relating to the market value of taxable property is available, the approach recommended above will maintain and expand enrichment of the Foundation School Program, while at the same time providing those districts with low property wealth a substantially equalized opportunity to raise funds above the Foundation School Program.

At the present time, state average enrichment of the Foundation School Program is $231 per student compared to the recommended $300 equalization level. Districts could choose any spending level up to $300 per student over the Foundation School Program provided they levied an appropriate tax rate on market value. Since this program would be optional, no district would be forced automatically to levy a tax rate above the basic Foundation School Program rate equivalent to $.25 per $100 of market value of taxable property. Any district could, of course, raise funds beyond the $300 per student equalization level from local sources only.

Impact on Other School District Revenues. This plan does not address the financing of debt service and capital outlay. The financing of community services, such as adult education, as well as food service and student body activities are also not included in the plan. Additionally, the plan gives no consideration to the use of nontax local revenues or federal funds.

Full State Funding Option

The preceding recommendations are made in full awareness of the problems of obtaining market value information. Although many other states use this form of ability indicator, all of these states have state agencies charged with the responsibility of collecting and verifying the proper valuations of property; Texas has no such agency. Most of these states have one tax roll per county; Texas has almost 1,000 school tax rolls in its 254 counties. Most of these states have a workable definition of "taxable property"; Texas, in effect, has no definition. Most of these states have a documentary stamp tax or some other method of recording the sales of property; Texas has no such instrument. Recommendations for the creation of a market value index have been contained in virtually every major school finance study completed in Texas since 1925. To date, none of these plans have been adopted by the Legislature.

As a result of these obstacles and the history of past failures of attempts to implement a market value index, the State Board of Education proposes an alternative plan to be used if the Legislature fails to enact a method for the determination of local taxpaying ability based upon the market value of taxable property. The following alterations to the recommendations would then be necessary.

Program Allotments

ALTERNATIVE RECOMMENDATION #3 *The present allocation formula for classroom teachers of 25/1 should be retained. However, the remaining recommended changes in staffing allotments should be fully implemented.*

Financing the Program

ALTERNATIVE RECOMMENDATION #8 — *The Foundation School Program should be fully financed from State funds. The entire cost of the Foundation School Program should be guaranteed.*

Under this approach, each district would receive the full amount of funds necessary for an adequate educational program from state sources.

ALTERNATIVE RECOMMENDATION #9 — *School districts should be permitted to use available local funds for enrichment of the Foundation School Program.*

Since full state funding involves potential additional local leeway funds resulting from the elimination of the local fund assignment, changes in the pupil-teacher ratio and higher salaries for public school personnel would be funded from increased local leeway funds rather than being included in the Foundation School Program.

Regional Education Service Centers

Regional education service centers were established in 1967. They have proved their worth by providing local schools wide variety of services which are higher in quality and lower in cost than individual school districts could provide separately.

RECOMMENDATION #10 — *The financial support of the regional education service centers should be increased by $1.00 per ADA for a total of $3.00 per ADA.*

Due to inflation, costs of providing services have risen drastically, but the level of support has remained the same. This $1.00 per ADA increase would represent an increase in 1975-76 of $2.5 million over the present funding arrangement.

RECOMMENDATION #11 — *The computer services allocation for regional education service centers should be incorporated under a broader allocation for information services, including financial support for computer processing on a statewide network, the development of a common core of educational data, the provision of communication services, the provision of technical assistance services, and central administration.*

Computer services at regional education service centers are financed from state and local funds. In 1973-74, the $1.00 per ADA state allocation to each regional education service center for computer services paid for only 35 percent of the cost of these services. An increased computer services allocation would provide financial support for a statewide computer network. Development of this network, along with data communication and technical assistance services, would provide equitable support of computer services as an incentive to all school districts to maintain computerized data banks. Also, the common core of educational data would serve statewide planning and evaluation needs. This recommendation would cost $4.1 million in 1975-76.

Implementing The Program

All of the presently authorized increases to the Foundation School Program are being phased in over a period of years. Continuation of this approach for the recommended improvements in the Foundation School Program is essential for orderly growth of the public school program and for development of adequate state and local tax policy designed to meet the needs of education and state government.

RECOMMENDATION #12 *Any revision in present school finance formulas should be phased in over a four year period beginning in 1975-76. The full plan would be operational in 1978-79.*

Both from the point of view of total costs and the impact of the proposed state financing plan upon school districts, a period of gradual implementation will be necessary. In addition, the proposals related to market value of taxable property have been keyed to present locally imposed definitions of taxable property and estimates of property values still to be established. These proposals will have to be reexamined in light of whatever action the Legislature takes concerning the definition of taxable property and the distribution of property values among school districts.

Cost Of The Proposed Program

A summary estimate of the projected current operating cost from state and local funds under the Public School Finance Plan is presented in Table II. These estimates are based upon full implementation of the proposed program in 1978-79.

The total cost of the complete financing plan contained in this report is projected to be $3,041 million compared to projected 1974-75 costs of $2,103 million for current operations from state and local funds. Under these proposals the cost of state aid to education would rise from $1,224 million in 1974-75 to $2,144 million in 1978-79, an increase of $920 million. However, approximately $276 million of this amount would be the result of presently scheduled increases in state aid to education. As a result, the added annual state cost of the recommendations contained in this report is estimated to be $644 million in 1978-79. Of this amount, $160 million would be for equalizing enrichment opportunities while $484 million would be for increasing the basic level of the Foundation School Program.

TABLE II. ESTIMATED STATE AND LOCAL COSTS UNDER THE RECOMMENDED PLAN
1978-79
(cost in millions)

	FOUNDATION SCHOOL PROGRAM	ENRICHMENT	TOTAL
State Funds	$1,984	$160	$2,144
Local Funds	467	430	897
Total Funds	$2,451	$590	$3,041

At present tax rates, the school districts of the state will be raising over one billion dollars in revenues for current operations by 1978-79. Under this plan, however, this amount will be decreased as a result of the substantial increases in state aid to public school education. This would mean a reduction in local property tax rates in many school districts throughout the state.

If the information on the market value of taxable property is not available, the alternative plan presented in this report would have the effect of increasing present commitments of state funds for 1978-79 by a total of $864 million compared to the recommended plan amount of $661 million.

The cost figures presented in this table do not take into account either additional local funds for capital outlay and debt service or state funds expended outside of the Foundation School Program including those for teacher retirement contributions, textbooks, or special funding of vocational education or other programs.

The Opportunity

Basic improvement of the system for the financing of public elementary and secondary education is long overdue in Texas. Enactment and implementation of a comprehensive public school finance plan will require some of the most far-reaching public policy decisions ever made in Texas. As this report demonstrates, the cost of improving educational opportunity in Texas is considerable. The failure to provide an adequate educational program for all of the children in Texas is even more expensive. Now, as in the past, Texans must take advantage of the opportunity to create meaningful improvement in public school education.

APPENDIX

Explanation Of Proposed Three Level Funding Plan

The attached table demonstrates the effect of the proposed three level funding plan as recommended in this report. Under recommendations eight and nine, this funding plan would be in effect only if the State chose to adopt a system for the determination of estimates of the market value of taxable property.

The purpose of the table is to examine the potential impact of the plan on various levels of taxpaying ability as measured by the market value of taxable property per ADA. Prior to a detailed explanation of the information contained in the table, it is important to note several underlying assumptions.

1. The table shows a Foundation Program cost per pupil of $1,000. This level does not mean either the average level at full implementation of the recommendations contained in this report (estimated at an average of $949 per ADA in 1978-79) or the actual level of the Foundation School Program at any particular point in time for any given district.

2. The data used to measure the impact of this information on current district taxing levels is drawn from the data contained in the report, "Preliminary Estimates of 1970 Market Value of Taxed Property of Texas School Districts", published in September, 1972 by a number of Texas school finance study groups. As that report recommended, the information should be used only for planning purposes. No final measure of the impact of the recommendations can be made until official estimates of the market value of taxable property in each district are determined.

The following section defines the data contained in each column.

COLUMN	TERM	DEFINITION
1	MARKET VALUE PER ADA	Selected levels of the market value of taxable property per student in average daily attendance (ADA)
2	% ADA	The percentage of students attending school in districts with the indicated market value per student or less
3-5	FOUNDATION SCHOOL PROGRAM TOTAL STATE LOCAL	The funding of the Foundation School Program at various levels of market value per ADA based on a $1,000 per ADA cost of the Program, a $.25 tax rate on market value, and a State Available School Fund Apportionment of $200 per student

COLUMN	TERM	DEFINITION
6-8	LEVEL I ENRICHMENT TOTAL STATE LOCAL	The funding of the first level of local enrichment of $100 per student based on the application of a $.10 tax rate, equalizing state aid for districts up to $100,000 of market value per student, reduced tax rates after this point, and inclusion of budget balance amounts
9-11	LEVEL II ENRICHMENT TOTAL STATE LOCAL	The funding of the second level of local enrichment of $200 per student based on the application of a $.30 tax rate, equalizing state aid up to $66,667 of market value per ADA, reduced tax rates after this point, and inclusion of budget balance amounts
12-14	ALL FUNDS TOTAL STATE LOCAL	The summation of total, state, and local amounts from the three levels of funding
15	TAX RATE	The total tax rate per $100 of the market value of taxable property necessary at each level of wealth to achieve the maximum support level of $1,300 per ADA

STATE BOARD OF EDUCATION

PROPOSED THREE LEVEL FUNDING PLAN BY SELECTED LEVELS OF WEALTH

(Amounts per ADA)

MARKET VALUE PER ADA	% ADA	FOUNDATION SCHOOL PROGRAM TOTAL	FOUNDATION SCHOOL PROGRAM STATE	FOUNDATION SCHOOL PROGRAM LOCAL*	LEVEL I ENRICHMENT TOTAL	LEVEL I ENRICHMENT STATE	LEVEL I ENRICHMENT LOCAL**	LEVEL II ENRICHMENT TOTAL	LEVEL II ENRICHMENT STATE	LEVEL II ENRICHMENT LOCAL***	ALL FUNDS TOTAL	ALL FUNDS STATE	ALL FUNDS LOCAL
STATE SUPPORT FOR ALL LEVELS OF FUNDING													
$ 20,000	11.6	$1,000	$950	$ 50	$100	$ 80	$ 20	$200	$140	$ 60	$1,300	$1,170	$ 13
40,000	53.7	1,000	900	100	100	60	40	200	80	120	1,300	1,040	26
60,000	82.7	1,000	850	150	100	40	60	200	20	180	1,300	910	39
66,667	84.9	1,000	833	167	100	33	67	200	---	200	1,300	866	43
END OF STATE SUPPORT FOR LEVEL II ENRICHMENT FUNDS													
$ 80,000	89.3	$1,000	$800	$ 200	$100	$ 20	$ 80	$200	$---	$200	$1,300	$ 820	$ 48
100,000	93.0	1,000	750	250	100	---	100	200	---	200	1,300	750	55
END OF STATE SUPPORT FOR LEVEL I ENRICHMENT FUNDS													
$ 150,000	96.2	$1,000	$625	$ 375	$100	$---	$ 100	$200	$---	$200	$1,300	$ 625	$ 67
200,000	97.6	1,000	500	500	100	---	100	200	---	200	1,300	500	80
320,000	98.9	1,000	200	800	100	---	100	200	---	200	1,300	250	1,05
STATE AID LIMITED TO AVAILABLE SCHOOL FUND APPORTIONMENT													
$ 500,000	99.7	$1,000	$200	$ 800	$100	$---	$ 100	$200	$---	$200	$1,300	$ 200	$1,10
1,000,000	100.0	1,000	200	800	100	---	100	200	---	200	1,300	200	1,10

* $.25 rate up to 320,000 Market Value per ADA
** $.10 rate up to 100,000 Market Value per ADA
*** $.30 rate up to 66,667 Market Value per ADA

STATE BOARD OF EDUCATION

OPOSED THREE LEVEL FUNDING PLAN BY SELECTED LEVELS OF WEALTH

(Amounts per ADA)

FOUNDATION SCHOOL PROGRAM			LEVEL I ENRICHMENT			LEVEL II ENRICHMENT			ALL FUNDS			
TOTAL	STATE	LOCAL*	TOTAL	STATE	LOCAL**	TOTAL	STATE	LOCAL***	TOTAL	STATE	LOCAL	TAX RATE
LEVELS OF FUNDING												
$1,000	$950	$ 50	$100	$ 80	$ 20	$200	$140	$ 60	$1,300	$1,170	$ 130	$ .65
1,000	900	100	100	60	40	200	80	120	1,300	1,040	260	.65
1,000	850	150	100	40	60	200	20	180	1,300	910	390	.65
1,000	833	167	100	33	67	200	---	200	1,300	866	434	.65
FOR LEVEL II ENRICHMENT FUNDS												
$1,000	$800	$ 200	$100	$ 20	$ 80	$200	$---	$200	$1,300	$ 820	$ 480	$ .60
1,000	750	250	100	---	100	200	---	200	1,300	750	$50	.55
FOR LEVEL I ENRICHMENT FUNDS												
$1,000	$625	$ 375	$100	$---	$ 100	$200	$---	$200	$1,300	$ 625	$ 675	$ .45
1,000	500	500	100	---	100	200	---	200	1,300	500	800	.40
1,000	200	800	100	---	100	200	---	200	1,300	250	1,050	.35
AVAILABLE SCHOOL FUND APPORTIONMENT												
$1,000	$200	$ 800	$100	$---	$ 100	$200	$---	$200	$1,300	$ 200	$1,100	$ .22
1,000	200	800	100	---	100	200	---	200	1,300	200	1,100	.11

* $.25 rate up to 320,000 Market Value per ADA
** $.10 rate up to 100,000 Market Value per ADA
** $.30 rate up to 66,667 Market Value per ADA